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FILE No. NBR 12/2 (Part)

TITLE: OIL IN IRAQ

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TO IMMEDIATE FCO TEL NO 15 OF 17 JANUARY 1974, INFO
PRIORITY ABU DHABI ALGIERS CARACAS DOHA JAKARTA JEDDA KUWAIT
LAGOS PORT OF SPAIN TEHRAN TOKYO TRIPOLI. MOSCOW, WASHINGTON
UKRAINE NEW YORK ANKARA EEC Posts BEIRUT.
MR NAKASONES VISIT TO IRAQ.

IT IS ANNOUNCED THIS MORNING THAT JAPAN WILL LOAN
IRAQ US DOLLARS 1000M FOR PETROLEUM AND INDUSTRIAL PROJECTS.
THESE WILL INCLUDE AN OIL REFINERY, CHEMICAL FERTILIZER FACTORY,
CEMENT FACTORY, ALUMINIUM FACTORY, AND OTHER PETRO-CHEMICAL
PLANT.

2. IRAQ WILL SUPPLY JAPAN WITH RAW MATERIALS, OIL TANKERS,
CRUDE OIL AND GAS.

3. SD TAHA AL JAZRAWI MINISTER OF INDUSTRY SIGNED THE AGREEMENT
WITH MR. NAKASONE. DUE TO AIRCRAFT DELAYS THE JAPANESE TEAM OF
FIFTEEN ARE STILL IN BAGHDAD, BUT HOPE TO LEAVE LATER TODAY AND
RETURN VIA LONDON AND THE POLAR ROUTE TO TOKYO.

4. MR. NAKASONE TOLD ME YESTERDAY HE IS TO ATTEND A PARTY
CONVENTION IN JAPAN 19 JANUARY.

MCCLUNNEY

/REPEATED AS REQUESTED/

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NBR 12) 2

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FM BAGHDAD 170800Z JAN.

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TO IMMEDIATE FCO TEL NO 916 OF 17 JANUARY 1974.
INFO IMMEDIATE TOKYO.

MY TEL 15. MR NAKASONE'S VISIT TO IRAQ.

THE SIGNING OF THE US DOLLARS 1000M LOAN AGREEMENT
CAME AFTER TALKS WELL INTO THE NIGHT, BUT FOLLOWED SIGNIFICANTLY
ON A ONE AND HALF HOUR MEETING WITH VICE PRESIDENT SADDAM
HUSSEIN. THIS TYPE OF DEVELOPMENT IS PRECISELY OF THE KIND
THAT IRAQ HAS PERSISTENTLY ADVOCATED. THE ASSURED SUPPLY OF
OIL AND OIL BY - PRODUCTS IN RETURN FOR RAPID DEVELOPMENT OF
THE OIL AND PETROCHEMICAL INDUSTRY.

2. I WAS ABLE TO SPEAK TO MR NAKASONE AND HIS STAFF BEFORE
THE AGREEMENT WAS SIGNED. THE MINISTER TOLD ME HE HAD BEEN
WELL RECEIVED IN LONDON AND PARTICULARLY APPRECIATED THE
OPPORTUNITY TO TALK TO THE PRIME MINISTER AND FIVE SENIOR
MINISTERS. HE SAID THAT THE BRITISH PEOPLE HAD A
STRONG SENSE OF DUTY IN THEIR CONSERVATION OF ENERGY. THE
JAPANESE PUBLIC COULD NOT SO READILY ACCEPT RESTRICTIVE
LEGISLATION. HIS PRIVATE SECRETARY MENTIONED JAPAN'S WISH TO
ACQUIRE NORTH SEA OIL, BUT EXPRESSED THE VIEW THAT OUR
PUBLIC OPINION WOULD BE UNHAPPY WITH A JAPANESE INTEREST IN
BRITISH OIL IN THE PRESENT CLIMATE OF OIL SHORTAGE. BOTH SPOKE
OF MR. CHATAWAYS VISIT TO TOKYO AND HOPED HE WOULD HAVE
SUCCESS IN OBTAINING INVESTMENT FOR SCOTLAND.

MCCLUNEY

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TO PRIORITY FCO TEL NO 018 OF 17 JANUARY 1974, INFO
PRIORITY TOKYO AND SAVING TO ABU DHABI, ALGIERS, AMMAN,
ANKARA, BEIRUT, CARACAS, DOHA, DUBAI, EEC POSTS, JAKARTA,
JEDDA, KUWAIT, LAGOS, MOSCOW, PORT OF SPAIN, TEHRAN,
TRIPOLI, UK MIS NEW YORK AND WASHINGTON.

JAPANS US DOLLARS 1000M LOAN TO IRAQ.

FOLLOWING IS TEXT OF ANNOUNCEMENT.

QUOTE.

IN THE MORNING OF THURSDAY, 17 JANUARY, A JOINT MINUTE
ON THE ECONOMIC DISCUSSIONS WHICH TOOK PLACE AT BAGHDAD DURING
THE PAST TWO DAYS BETWEEN AND IRAQI DELEGATION UNDER THE PRESIDENCY
OF SAIYID TAHAN JAZRAWI, MEMBER OF THE RCC AND MINISTER OF
INDUSTRY, AND A JAPANESE DELEGATION UNDER THE PRESIDENCY OF
MR. ASUHIRO NAKASON, THE FOREIGN TRADE AND INDUSTRY MINISTER, WAS
SIGNED. THE JOINT MINUTE SAID THAT JAPAN WILL OFFER IRAQ A
1000 MILLION DOLLAR LOAN FOR USE IN EXECUTING A NUMBER OF
PETROLEUM AND INDUSTRIAL PROJECTS ACCORDING TO THE REQUEST OF
THE IRAQI SIDE AND ON THE BASES OF READY-MADE PROJECT, INCLUDING
THE STUDY. THESE PROJECTS ARE A FACTORY FOR THE LIQUEFACTION
OF GAS, AN OIL REFINERY, A CHEMICAL FERTILIZER FACTORY, A
CEMENT FACTORY, A FACTORY FOR THE PRODUCTION OF ALUMINIUM, A
NEW "ACCUMULATOR" FOR PETRO-CHEMICALS, APART FROM THE PROJECT
WHICH HAS ALREADY BEEN ADVERTISED.

THE JAPANESE SIDE WILL CONSIDER THE EXECUTION OF OTHER
PROJECTS IN FUTURE ACCORDING TO THE REQUEST OF THE IRAQI SIDE
AND ON THE SAME CONDITIONS OF THIS LOAN. THE PROJECTS AGREED
UPON WILL BE EXECUTED AS EARLY AS POSSIBLE. THE TWO PARTIES
ALSO AGREED THAT JAPAN WILL PROVIDE IRAQ WITH EXPERTS IN THE
VARIOUS FIELDS ASKED FOR BY THE IRAQI SIDE. THE JAPANESE SIDE
CONFIRMED ITS READINESS TO TRAIN A NUMBER OF IRAQI TECHNICIANS IN
JAPAN. THE TWO SIDES AGREED THAT JAPAN WILL FURNISH IRAQ WITH
THE RAW MATERIALS AND BASIC MATERIALS REQUIRED, AND OIL TANKERS.
IN TURN, IRAQ WILL PROVIDE JAPAN WITH CRUDE OIL AND GAS,
PETROLEUM BY-PRODUCTS AND OTHER COMMODITIES.

/AN AGREEMENT

AN AGREEMENT FOR ECONOMIC AND TECHNICAL COOPERATION BETWEEN THE TWO COUNTRIES WILL BE CONCLUDED AS EARLY AS POSSIBLE EMBODYING THE AIMS REFERRED TO ABOVE.

THE SIGNING CEREMONY OF THE AGREEMENT WAS ATTENDED BY SA'YID HIKMAT AL AZZAWI, MINISTER OF ECONOMY SEMI COLON SA'YID MAHDI AL UBAIDI, THE UNDER - SECRETARY OF STATE FOR ECONOMY SEMI COLON THE JAPANESE AMBASSADOR AT BAGHDAD AND MEMBERS OF THE IRAQI AND JAPANESE DELEGATIONS TO THE DISCUSSIONS

UNQUOTE.

FCO PLEASE PASS SAVING TO ABU DHABI, ALGIERS, AMMAN, ANKARA, BEIRUT, CARACAS, DOHA, DUBAI, EEC POSTS, JAKARTA, JEDDA, KUWAIT, LAGOS, MOSCOW, PORT OF SPAIN, TEHRAN, TRIPOLI, UK MIS NEW YORK AND WASHINGTON.

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UK EYES ONLY "A".

TO ROUTINE FCO TEL NO 26 OF 25 JANUARY 1974

UK EYES ONLY "A".

MIPT - ANSWERS TO ANNEX A

CUTBACKS AND EMBARGOS.

IRAQ HAS NOT CO- OPERATED WITH ARAB STATES IN CUTBACK
OR IMPOSED LEGAL EMBARGO.

THE PRESS WELCOMED EMBARGO OF USA AND HOLLAND AT THE TIME
AND HAMMADI HAS SAID THESE COUNTRIES DO NOT RECEIVE OIL.
THE POLICY OF BPC IS NOT TO SHIP TO EMBARRASSING DESTINATIONS.

2. THE ULTIMATE VOICE IN OIL MATTERS IS SADDAM HUSSEIN
WITH BAKRS AGREEMENT. THEY NEED RCC APPROVAL OF POLICY

CHANGES, NATIONALISATION, ETC. PRATICAL EXECUTION OF POLICY
LIES WITH HAMMADI AND CHELABI.

3. IRAQ APPEARS TO BE FULFILLING ITS EXISTING AGREEMENTS
FOR THE SALE OF NATIONALISED OIL AND ALLOWING BPC TO SELL
AS AGREED TO THE OIL COMPANIES. THERE IS NO SPECIAL
FAVOURITISM OPERATING EXCEPT IN SO FAR AS BPC ARE
PRESUMABLY RESTRICTING THEIR CUSTOMERS
TO DESTINATIONS OTHER THAN USA AND HOLLAND.

4. DAILY LOADINGS.

INFORMATION ON KHOR AMAYA LOADINGS IS TELEXED TO IPC LONDON



Mr. Alan Price,
Mr. Richard Dowd,
Mr. Bunting

Enter Oil General
16835/ PA

DAILY FROM BASRAH. RESTRICTIONS OF INOC OIL FROM KHARAMAYA IS ALSO KNOWN FROM IPC SCHEDULES. IPC MUST KNOW NIGHTLY INOC EXPORTS FROM FAO WHICH ARE IN ANY CASE SMALL. FOR TRIPOLI AND BANIAS I HAVE NO INFM.

SUGGEST TRY DAMASCUS OR BEIRUT. IF IPC PERSONNEL ARE STILL WORKING AT EITHER PORT THEY MAY KNOW FIGURES.

5. PARTICIPATION

- IS NOT A LIVE SUBJECT HERE. NO DOUBT NATIONALISATION OF REMAINING 57 % OF PBC WILL TAKE PLACE WHEN EXPANSION PROGRAMME IS COMPLETE.

6. REAL INTENTIONS OF OPEC AND OAPEC OVER PRICE - SITN HAS CHANGED DRAMITICALLY SINCE YOU WROTE.

IRAQ UNHAPPY ABOUT ALIENATION OF W EUROPE THROUGH PRICE INCREASES BUT DECLARED POLICY NOW IS TO PRICE OIL TO MATCH OTHER COMMODITIES AND INDUSTRIAL GOODS IMPORTS.

MCCLUNNEY

BT

FILES

HD/EN D
HD/MED
HD/NENAD
MR TONKIN PUSD
MR TAYLOR

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ROYAL SWEDISH EMBASSY
British Interests Section
BAGHDAD

RECEIVED IN
REGISTRY No 35
14 FEB 1974
NBR 12/2

4A

G S Burton Esq.,
Middle East Department,
Foreign & Commonwealth Office,
London SW1.

Your reference

Our reference 12/6

Date 28 January 1974

*I have sent a copy of Envoy
MSB/MSA
a*

Dear Graham

INFORMATION ON OIL SUPPLIES

Due to the classification of Stephen Egertons letter 2JC 10/408/2 of 10 December 1973, I regret that I did not receive it until today 9 January. My answers to the points raised in Annex A are contained in the following paragraphs.

2. Cutbacks and Embargoes: Iraq has not co-operated with other Arab states in cutback now has a legal embargo been imposed. The press welcomed the embargo of USA and Holland at the time and Hammadi has said publically that Iraq is using its oil weapon and boycotting these two countries (Beirut 19 December). The policy of the Basrah Petroleum Company (BPC) is not to ship to potentially embarrassing destinations. The ultimate voices in matters of cutback and embargo are those of Saddam Hussein and President Bakr. They would need to obtain RCC agreement for any oil policy changes and in any case could not act independently of each other.

3. Practical execution of oil policy lies with Oil Minister Hammadi and Under Secretary Chelabi.

4. Iraq is, as far as we know, fulfilling its existing agreements for the sale of nationalised oil, and continues to allow BPC to fulfill its agreements with the oil companies. There is no special favouritism operating, except in so far as BPC are presumably acting unfavourably towards their customers in restricting them to destinations rather USA or Holland.

5. Daily Loadings -

(a) Information on daily loadings from Khor Amaya is available from IPC in London who are informed daily by telex (Basrah - Kuwait - London). They hold a forward schedule for each months anticipated loadings by destination. Since they also load nationalised oil at Khor Amaya, and the amount will increase during the next six months, the amount and destination of that INOC oil is also known in London.

(b) What BPC cannot tell us accurately is the quantity of nationalised oil loaded from berths in Fao, though their estimates of this must be pretty good. In any case the quantity is small.

/(c)



(c) Tripoli and Banias loadings are more difficult to ascertain. If these terminals still operate with any IPC management personnel, figures should be available in London. Otherwise it might be worth asking Beirut or Damascus for their views on the best source of information. Syria and Lebanon must take a close interest in quantities pumped and loaded since they need to check the figures for their oil transit dues.

6. Participation is hardly worth discussing for Iraq. The latest position in BPC is that BP, CFP and British Shell (sic) are the only remaining shareholders, and the Iraqis regard these shares as being in the hands of friendly countries. Iraq was offered participation in 1972 and that offer still stands. But they will no doubt consider nationalising the remaining shares when the BPC expansion programme is nearing completion. Their declared policy is to nationalise, as the best means of controlling oil production and profits. Nationalisation of IPC has worked well and they have no reason to doubt their ability to run BPC on the same lines.

7. As to the real intentions of OPEC and OAPEC over price levels, the situation has changed dramatically since Egerton wrote. We have no special information here which would help the pundits in their analyses, but President Bakrs letter to President Nixon suggests that Iraq regards the price as far too low in the long term. Nevertheless they argue that the recent price rise was not handled to the political advantage of the Arabs, since countries favourably disposed towards arab political objectives have been alienated.

Yours ever

lmc

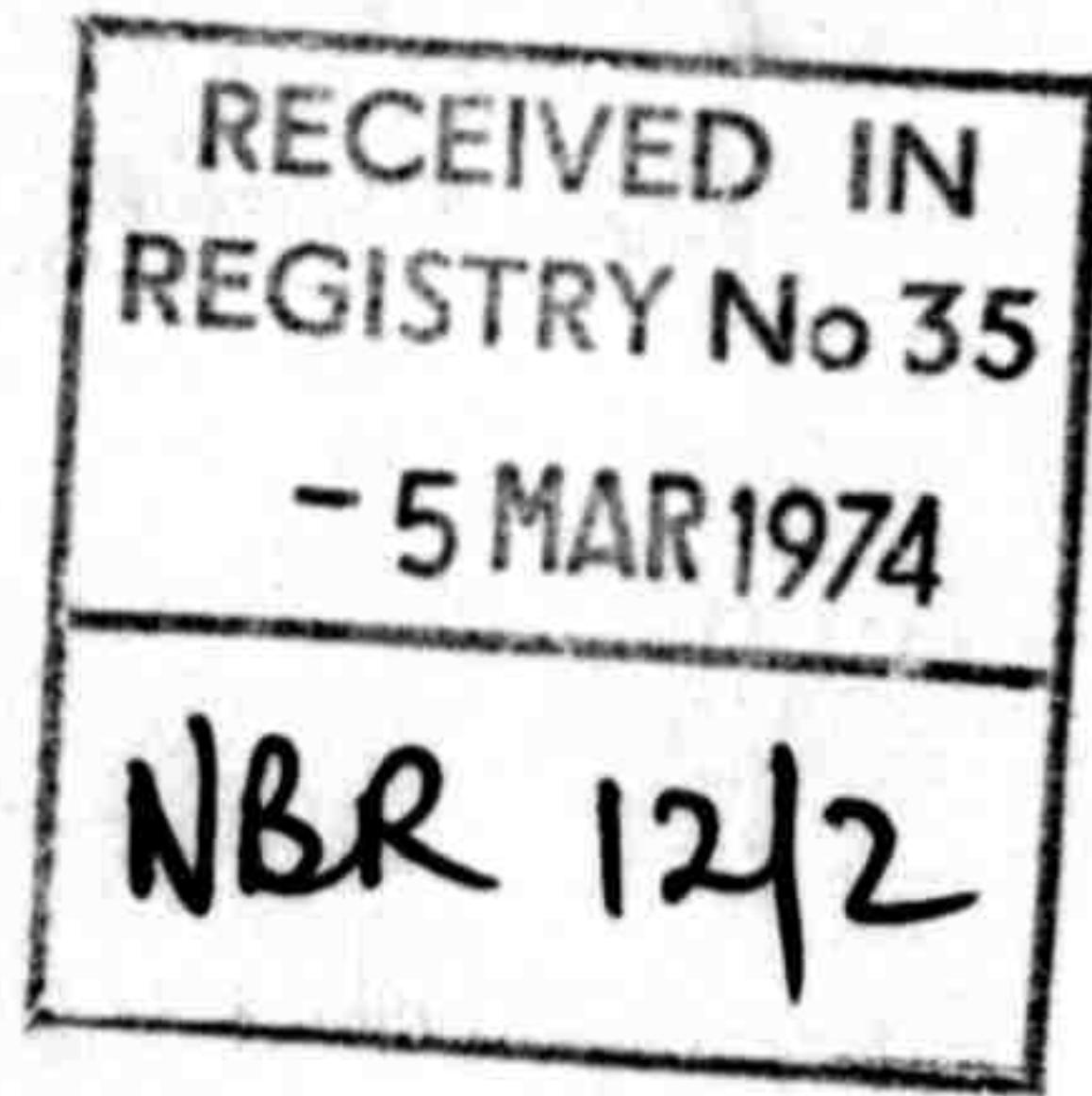
I. McCluney

(Drafted on 9 January - summary set by telegram N626 h Fco of 25 Jan)

RESTRICTED

5

ROYAL SWEDISH EMBASSY
British Interests Section
BAGHDAD



G S Burton Esq.,
Middle East Department,
Foreign & Commonwealth Office,
London.

Your reference

Our reference 12/2

Date 24 February 1974

Dear Graham,
IRAQ - OIL POLICY

*Copy with enc to end
Enter 1884/3
fa*

Oil Minister Hammadi's statement to the press in January has already been widely reported and used by Stephen Egerton in his latest Oil News letter.

2. For the record, however, I enclose a complete translation prepared here. Perhaps the most interesting point is the failure of Hammadi, given the opportunity at the end to express Iraq's appreciation of Russian backing in times of difficulty, to say anything remotely friendly about Eastern bloc assistance in oil development.

3. I notice that there has been some speculation (e.g. R.B Bries letter of 30 January) about the prices the Russians are being charged for Iraqi oil. Pierre Cerles rumour is that Iraqs offer prices to USSR are:

ex Basrah \$17 a barrel
ex Med \$19 a barrel

The Basrah price must be particularly galling for them, since they have in the past regarded North Rumaila as virtually their own oil field.

*Yours ever
Ian*

I. McCluney

RESTRICTED

Translation from "Oil and the World" magazine for the month of January 1974.

In an interview with Dr. Sadun Hammadi, Minister of Oil and Minerals and Chairman of the Board of Administration of the Iraqi National Oil Company a few days ago, a journalist submitted a number of questions concerning certain basic matters connected with the Iraqi oil, and the Minister's replies, which were explicit, accurate and important, are published hereinbelow.

Q. What is the total output of Iraqi oil by barrels per day, and what was the output last year, and what is the determined increase for the future, in 1975 or 1976 for example ?

A. The present output for this year amounts to 2,100,000 barrels per day. This amount represents an increase of 43% more than the average output per day for 1972. In 1972 the average daily output went down to less than 1,500,000 barrels per day as a result of the large decrease effected by IPC from the Northern oilfields which resulted in the nationalisation of its operations in Iraq in June of that year. Our present plan aims at increasing the output so as to become more than 3,500,000 barrels per day with the advent of 1975.

Q. What is the number of tons which will be available with the INOC for direct sale in 1973 as a result of the expansion of its ownership of oil production ?

A. The INOC started to produce oil from its Northern oilfields (such as the Northern Rumails oilfield) in April last year. Its output from the field, which at present is limited by the existing Port facilities at Fao, amounts to 5 Million tons for 1973. The INOC is also marketing the oil produced ~~the~~ from the nationalised oilfields in the North, which amounts to about 60 Million tons in 1973.

Q. What are the measures which you intend to take for increasing the trafficking of this oil? Do you, for example, expect to construct any joint refineries in any facilities after the output ? Where will these be constructed ? Are you closing a number of long-term deals aiming at selling this oil, and do you feel that probably within another decade of time the existence of world oil companies make become not necessary when the national oil companies would undertake most of the sale directly ?

A. On marketing our oil, we have pursued a policy of direct sale to our clients and we have been able to market all the oil available with us without resorting to joint refineries. Our policy is based on the refining of a part of the output of our crude oil within Iraq for the purposes of exportation. Up to this date, our refineries had been constructed for ~~the~~ meeting the requirements of our local consumption. New refineries will be constructed in Iraq for the purpose of exporting oil products. If, however, suitable circumstances call for the establishment of joint refineries outside Iraq, other Arab countries will be given priority in this connection and then this will be followed by other members of the oil exporting countries organisation. As to the marketing of our oil, we do not encourage the conclusion of long-term deals, although we undoubtedly promote and strengthen the existence of long-term relations with clients from countries which share us mutual benefits and good-will.

As to the role of world oil companies in future, that depends on the role to be played by these companies in the orientation of themselves according to the change of circumstances and their respect of the national interests of the producing countries. In as much as the matter concerns Iraq, our policy is to place the oil sector in the service of the economic development of our country and providing the bases for its industrialisation. Experiment has taught us that the realisation of these aims do not come and must not come from foreign companies. We have our own National Oil Company and on this Company falls the responsibility for the development of a ~~comprehensive~~ national industry comprehensive with national economy. I am in a position to add that every member state of OPEC has established a national oil company of its own.

Q. Are you worried through the appreciation of the prices of crude oil caused by competition arising from ~~the~~ other energy sources, such as the Colorado stone, Athibaska sand, and coal ?

A. The prices of oil were lower than those of other traditional energy sources. Since they are still lower, its comparison will be more in relation to the prices of the probable new energy sources. Such being the case, even if the prices of crude oil only appreciate, they must appreciate in a large margin before the new energy sources mentioned become really competitive sources. The point is that the prices of crude

oil are not increased in relation to the prices of substitute energy sources. These increases took place due to the monetary inflation and the continued appreciation of the prices of manufactured products exported by the industrial countries. These elements bear an effect on the prices of oil and also on the prices of other sources of energy and lead to about the same or in fact more increase in cost and prices. We are, therefore, disturbed in fact from the appreciation of the prices of our imports and must take preventive measures to prevent more deterioration of the purchasing power of the oil royalties. However, we are not disturbed from the existence of other aspects of energy sources, because such competition will lead to show the cheapness of our oil which was sold throughout the past years.

Q. Do you welcome the arrival of American oil companies to carry out explorations in Iraq on the basis of an agency contract? And do you find any form for cooperation which would permit foreign companies to work in Iraq? Are there any American technical oil equipments which you would favour to purchase ?

A. The general situation with regard to the possibility of the existence of cooperation with American companies collectively depends on American policy towards the Arab nation - a policy which has continued to be inconsistent with the ~~rights~~ legitimate rights and interests of the Arabs. Private foreign companies, including the American companies, which wish to work in Iraq on the bases of commercial competition within mutual interests will be welcome in Iraq. The scope of cooperation is not confined to that of oil only, but includes other spheres to which the country is in need, such as experts and ~~in~~ industrial products required by economic development.

Q. Your government is increasing the output to a very ~~large~~ large extent. How do you tally between this and your policy of using the oil as a weapon in the Arab-Israeli confrontation? In order that this weapon may be effective, should not the output of oil be limited ?

A. Let me explain to you that this was not merely a political desire on our part to use the oil as a weapon in what you called the Arab-Israeli confrontation, but was a conditional necessity. Any nation facing the danger which the Arab nation is facing would have done the same. Being a part of the Arab nation, Iraq is undoubtedly utilising its oil output and its oil royalties for the Arab cause of Palestine. These considerations have previously dictated upon us the conditions of our oil policy and the attitude of our oil exports and commercial relations. On this bases, there is no connection between the use by us of the oil as a weapon and that of the increase of the output of our oil. As a matter of fact, the increase in our output of oil is not very large. Iraq is considered one of the richest countries in the area in its contents of oil reserve. In spite of that and during the past 10 years the average increase of annual output of oil was the least in the area, i.e. less than 5%. The present determined increase is to make good, at least partially, the ~~exist~~ accumulated effect which accrued from the productive policy pursued by the oil companies, such as the IPC, before the nationalisation of its operations.

Q. It is said that your government is studying the construction of a new refinery with a capacity of 10 Million tons in the South of Iraq. Do you intend to construct this refinery on your own account or have you foreign partners who wish to do so ?

*what about
in Japanese?* — A. The refinery will be constructed and administered by Iraq alone.

Q. Will you be good enough to elucidate the 'picture' relating to the new pipeline. I learn that a French company is assisting you in expanding the Kirkuk-Mediterranean line and to raise it to 70 Million tons per annum in lieu of 60 Million tons, and that you have allotted 400 Million dollars for the construction of a 1000 kilometer pipeline to "Dortyol" (درویش) passing through Turkey and of a capacity of 25 Million tons starting from 1977 in addition to the construction of a third line from Kirkuk to a port on the Arab Gulf. Is this correct ?

A. Yes, this is true. I have already said that the present average output of the INOC is limited not because of the productive ~~energy~~^{capacity} from the field but because of the limited capacity in the port facilities. The same thing also applies to the productive capacity from the Northern fields which is dictated by the limited capacity of the present pipelines passing to Syria and the Lebanon. The transport facilities from our fields in Kirkuk to the points of export on the Mediterranean or the Arab Gulf have caused us real problems. Thus, immediately after the nationalisation of the operations of the IPC in Iraq, we started to plan for the expansion of the capacity of the present pipelines and port facilities and the construction of new installations as a part of a short and long-term plan intended to expand the output. Pipelines differ from tankers because they are not movable or flexible. Flexibility in relation to us means ensuring the continued flow of our oil to the markets. Such being the case, they are not less important than the increase of the capacity of output and facilities. Our plan for a new network of pipelines aims at increasing the capacity of transportation and making flexibility available. Such being the case, the Kirkuk-Banias pipeline is being expanded in order to strengthen its capacity and raise it by an additional 10 Million tons. It will be possible to effect further expansions in the capacity of output from our Northern fields and to effect development in new fields for the purpose of production. Such being the case, a new 900 kilometer line will be constructed. It will pass through Turkey and will have a maximum capacity of 35 Million tons. There will also be constructed a new double strategic pipeline, 655 kilometers long, and will link the Northern fields to the Southern ports of Iraq. The capacity of this line will be 44 Million tons in the direction of the North, and 50 Million tons in the direction of the South. The contract for ~~ENR~~ the construction of this line will be signed very shortly. As a part of the same plan, a deep port in the South of Iraq will be built for the account of INOC. It will have an export capacity of 80 Million tons per annum and will have facilities for receiving tankers

of a capacity of 350,000 tons. The contract for the construction of the sea facility has already been signed.

Q. To the side of the expansion programme which you are undertaking, what is the extent of the change in the 'picture' of oil in Iraq in comparison to the condition which prevailed before the nationalisation of IPC ?

A. Our oil resources are limited and exhaustible. It is necessary to employ the oil sector as a bases for the industrialisation of our economy and the setting up of new productive resources. Such being the case, our oil royalties must be employed for ensuring the plans of the economic development and for expediting the industrialisation of our agriculture and other economic sectors.

In the past when the petroleum companies controlled the production and export, the companies were in a position which enabled them to control the quantity of our royalties and ultimately to control the sphere of our development plan. The companies were also in a position to obstruct or delay the implementation of our plan by obstructing or reducing production. This is what took place actually in 1972 when the IPC effected a large decrease in the quantity of production from the Northern fields which led to the Government freezing several development projects. The acute decrease in production which took place in 1972 led to an unbearable condition, and the Company placed its interests and tactics in determining the quantity of production in lieu of the national aims of the country and its economic requirements. The Government had no alternative but to take steps for ensuring the realisation of its economic plan of development and to achieve the aims thereof. The condition now differs from what it was in the past. The requirements of the economic development plan at present decided the average production of oil and the amount of our oil royalties. On the bases of the fact that 65% of our oil output comes from the national sector, we are in a position which enables us to make the oil sector supplementary on a large scale in the national development and to link the operations of exploration, production and marketing to the execution of the development projects and to recruit experts and enter into

the world markets.

Q. Will the INOC carry out its expansion programmes by itself or will it ask for the help of other foreign companies in the form of service contracts, and will it invite American companies or accept (? them) as partners in such contracts ?

A. The INOC is completely responsible for the exploration and development of oil resources in Iraq, excluding the lands allotted to BPC. Such being the case, when the INOC carries out explorations and drillings throughout the country, ~~they~~ it invited other companies to enter into contract service with them for the purpose of expediting the operations of discovery and the production of oil in determined areas. There are already three foreign companies operating in Iraq as contractors for the INOC, namely, ERAP, PETROBRAZ and the Indian National Oil and Gas Company. The INOC has announced the opening of six new areas the total area of which amount to about 48,000 kilometers and the tenders therefor are accepted up to the end of the present year. These areas will be awarded on a competitive bases in accordance with service contracts. A company which possesses bigger efficiency and is more useful to the INOC will have a better luck and will be awarded the required area. These service contracts guarantee to the contractor the refund of the exploration expenses when it succeeds, and crude oil will be made available to it for a long-term and on a special price. It will also guarantee to the contractor the average production and the price to be paid, since that forms a part of the tenders, and ultimately negotiations will take place with the INOC before signing the contract of service.

Q. At the recent meeting held by OPEC in Vienna, Decision No. 160 was taken. The decision referred to the "un-realized profits" obtained by the oil companies. Will you be good enough to elucidate this more widely. And is there any indication of the proportion of amount of this "un-realized profits".

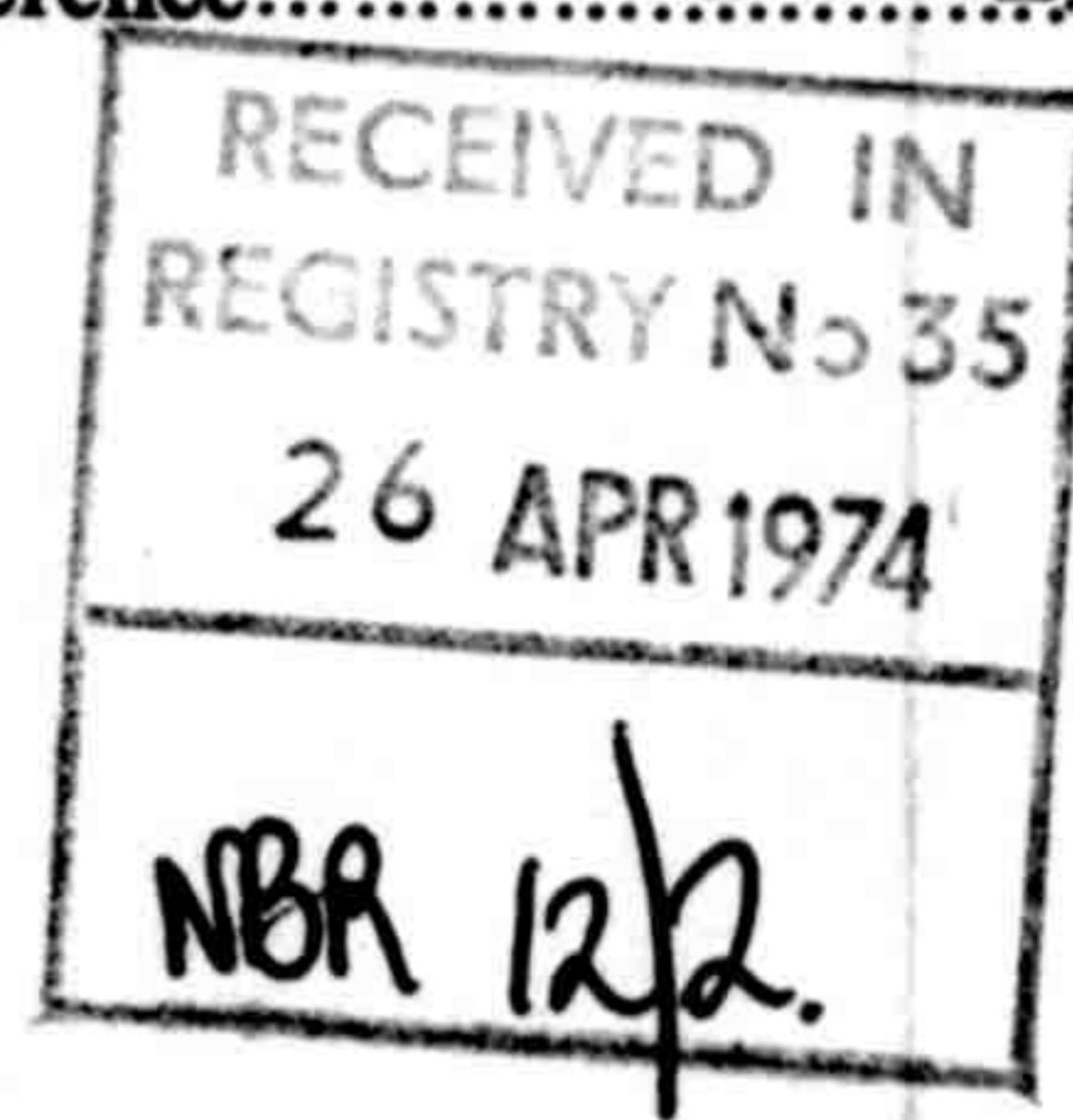
A. The Tehran Agreement and other relevant Agreements put into operation a new "taxation system" depending on a determined proportion between the profits of the companies accrued from the realized sale of crude oil and petroleum products, and between that collected by the Government of the producing country. Since the beginning of the present year, economic

and commercial circumstances connected with the crude oil market and petroleum products have largely changed. Profits accrued from the realized sale of crude oil and petroleum products have increased. The financial proportion under the Tehran Agreement has largely changed in favour of the oil companies and at the expense of the producing countries. This increase in profit did not take place in view of any new production element offered by the companies or any new service rendered by them, while the companies bore no ~~new~~ expense for that. Such being the case, this revenue becomes an "un-realized profit" gained by the companies. As to us, it consists of a plain appreciation of the value of our lost wealth, i.e. crude oil. The amount of this appreciation can be ascertained subjectorily. However, whatever the condition may be, it must be refunded to the owners of the lost wealth, namely, the producing countries.

Q. A last question, what is your reply to those who claim that Iraq has been allowing, more and more, the Russians to administer the production of its oil, a matter which means that you are substituting a coloniser for another ?

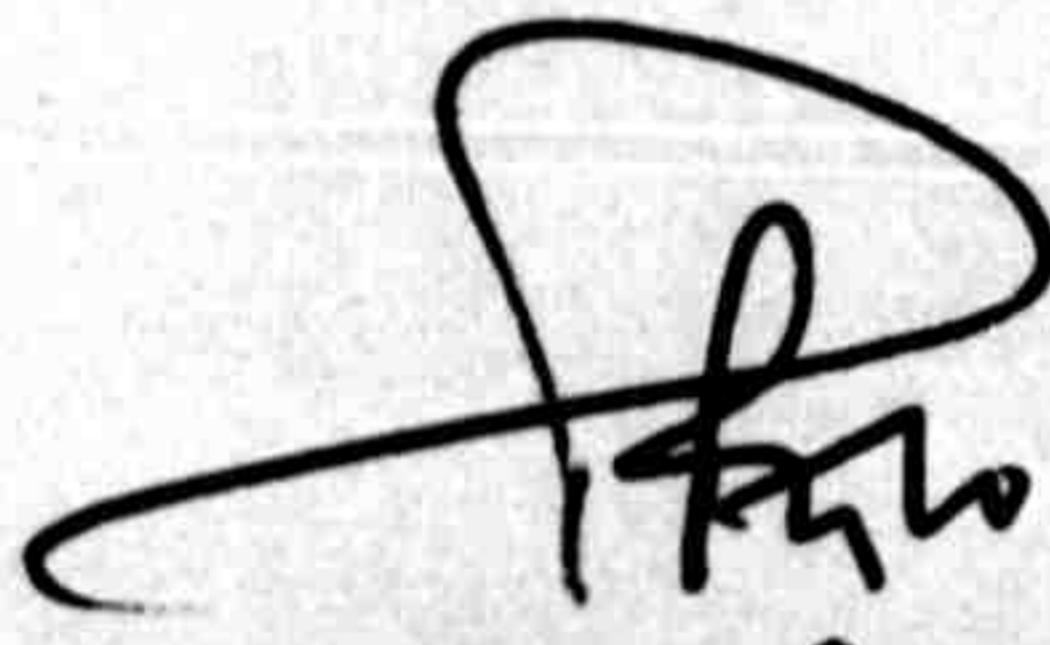
A. The replies which you have obtained to your previous questions elucidate to you that those who say so are either those who are not acquainted with facts or that they are not concerned with facts. If you wish to visit the Rumaila field, we will welcome your visit and will be able to arrange a visit to you at any time suitable to you.
At any rate, the oil produced from the national sector is purely under the disposal of INOC.

Mr Williams *W 25/4*
Mr Burton *W 25/4 pa*



IRAQI OIL AND ROMANIA

1. When I lunched at BP yesterday I took the opportunity to mention to Mr Sutcliffe that we had heard a report that BP might be taking legal action against one of Aristotle Onassis' tankers on the grounds that it was carrying oil claimed by the Basra Petroleum Company.
2. Mr Sutcliffe said that the report was news to him and seemed most unlikely to be true. He commented that BP's lawyers occasionally took action without proper consultation, but he was sure that he would have heard if there were any substance to this story. I made it clear that we had also tended to discount it ourselves.



P R H Wright
Middle East Department

25 April 1974

cc Energy Department

Mr G S Burton (MED W92)

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| REGISTRY NO 35 |
| - 3 APR 1974 |
| NBR. 122 |

IRAQI OIL AND ROMANIA

1. I enclose copies of two Minutes from the Second Secretary (Commercial) in Bucharest about oil supplies to Romania.
2. I am surprised to see from para. 2 of his Minute of 15 March that BP are said to have taken out a court injunction against a tanker owned by Mr Onassis apparently on the grounds that BP claimed the oil. Mr Frost's account is not clear but it appears that the oil concerned may be from Basrah Petroleum Company, presumably from the share of production nationalised from the American and Portuguese shareholders. (It cannot have been from the North Rumailah field if it was being transported by giant tanker).
3. I was not aware that IPC were pursuing INOC's liftings of BPC oil in the courts. Even if they are, I cannot see why BP itself should take out such an injunction. I should be grateful for your views on this. You said on the telephone that you would probably wish to discuss the matter with the companies.



G P Lockton
Energy Department

20 March 1974

cc Mr T. H. Breverton, Department of Energy

Enc.

In your/s
May we discuss please?
18/3/74/s

Mr Wright

Mr Wright

This seems most unlikely to me
and I suspect the accuracy of the report.
Mr Young does not anticipate an early opportunity
of raising the matter with BP and my contacts
are too limited — I should not wish to make
the report the sole subject of an enquiry.
Perhaps you would consider including it
as a minor matter next time you are
talking with BP?

W.H.P. 28/3

Yes, I will try to do so. Please mind me
in 3 weeks or so, if an opportunity has not occurred
by then

John

~~18/3/73~~ 22.4.73 74

SO
RF 74
2/88/73

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7.

H of C
CC
Mr R Carter
Mr Milne
Register
Mr Browne o.r.

I am not clear how far the Shah/Iraq
should have got gone. APPROPRIATE

Mr. Clark 13/5 Shell have not said
anything to us
Mr. Milne 13/5 recently
Mr. Browne 13/5

Copy: Entry Dept

SHELL AND IRAQ

1. When Messrs Peacock and co. of Shell called on the Ambassador on 27 April, they gave a brief account of the progress of their new relationship with the Iraqis, which had broadened out from the old part-share of the IPC which had largely gone with nationalisation into a contractor-style, bilateral relationship, involving agricultural development as well as oil production.

2. Mr Peacock asked whether HE thought that if this relationship with Iraq prospered it would affect Shell's position here in Iran. The Ambassador explained the current strains between Iran and Iraq and said that Shell in Iraq was certainly wise to keep looking over its shoulder for reactions here. The Shah would not, however, expect Shell or other companies to refrain from Iraqi involvement where, after all, they had a long history. The main thing was to bear in mind the timing of any public announcements and to be scrupulous about keeping the Shah in the picture in advance. There were precedents here; for example, the Consortium had been careful last year to tell the Shah about IPC's affairs before he learnt about it in the press. Although the evidence was not conclusive, it seemed likely that the Japanese had damaged their position in Iran by what the Shah considered excessive haste to make deals with the Iraqis. This was a particular example that Shell would be wise to bear in mind.

3. Mr Peacock said that he fully accepted these points and would ensure that advance knowledge of Shell/Iraq intentions was conveyed from time to time to the Court through Sir Shahpour Reporter.

4. After the meeting Mr Holmes told me that in fact Iraq was "much more interesting" than Iran from Shell's point of view at the present time. As he had said to me during his previous visit, the results of exploration in Iran had for some time been rather disappointing. Iraq, on the other hand, in view of the many years in which exploration had been neglected because of the IPC dispute and the virtual oil-paralysis of the Iraqi Government, contained large areas where most oil men believed the prospects were very good indeed. On the other hand, a bird in the hand being worth two in the bush, they would certainly be careful how they proceed so not to jeopardise the existing benefits of their relations with Iran.

30 April 1974

R H Ellingworth

cc: P R H Wright Esq, MED
File

RESTRICTED

Mr. Burt, 18815
enter



cc Enqy. D

8.

British Embassy
Baghdad

21 May 1974

Ref: 12/2

R. Kinchen Esq.,
Middle East Department,
Foreign & Commonwealth Office,
London SW1.



Dear Richard.

IRAQS OIL TANKERS

You showed some interest last week in Iraqs participation in the OAPEC proposals for oil tankers and a dry dock. I have no information immediately to hand on the latter, but you may be interested in the enclosed article on tankers, if just for comparison with OAPEC and Kuwaiti plans as we know them.

2. No doubt the reference to the "colossal profits of the oil companies" is one of the reasons Iraq is in the tanker business at all, but we would expect her participation to continue to be modest until the work of expanding oil production is further advanced.

Yours ever
I. McCluney

I. McCluney

Encs.

All best wishes and thanks for the lunch
I. McCluney.

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TO ROUTINE FCO TEL NO 173 OF 30 MAY/INFO TO TEHRAN
WASHINGTON AND CAIRO.

PRODUCER-CONSUMER DIALOGUE.

NO OPPORTUNITY IS LIKELY TO OCCUR FOR ME TO DISCUSS THIS
SUBJECT " IN THE COURSE OF NORMAL BUSINESS" WITH IRAQIS.2. I MENTIONED IT TO PAWSON (BPC) WHO VOLUNTEERED THE
FOLLOWING WITH WHICH I AGREE.IRAQS PUBLIC POSTURE IN INTERNATIONAL OIL MATTERS IS TO
APPEAR IN THE VANGUARD OF CHANGE. HER PRIVATE NEGOTIATING
POSITION IS TO KEEP THE OIL FLOWING FOR THE MAXIMUM RETURN
IN THE SHORTEST TIME. ANY DIALOGUE IN WHICH IRAQ IS REQUIRED
TO TAKE PUBLICALLY WITH OTHER ARABS DECISIONS WHICH SHE
MAY HAVE TO BE SEEN IMPLEMENT WILL THEREFORE BE AVOIDED.
THE WHOLE EMPHASIS, SHORT OF A UN DISCUSSION WHICH SHE HAS
ADVOCATED, IS TO PROMOTE PUBLIC AND PRIVATE BILATERAL DEALS
WHERE BREACHES OF BROAD POLICY, IF THEY ARE SEEN TO OCCUR,
CAN BE JUSTIFIED AS EXCEPTIONS.3. IT FOLLOWS THAT IRAQ WILL AVOID PARTICIPATING IN A
PRODUCER-CONSUMER DIALOGUE.

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TO ROUTINE FCO TELNO 737 OF 23 AUGUST 1974, REPEATED FOR INFO
TO ROUTINE TEHRAN, BAGHDAD AND JEDDA, SAVING TO WASHINGTON AND
UK DEL OECD.

JAPAN/IRAQ ECONOMIC CO-OPERATION.

Raudpa
18/8

1. AS HAS BEEN REPORTED IN THE PRESS ON 16 AUGUST MR KIMURA, THE JAPANESE MINISTER OF FOREIGN AFFAIRS, AND MR AZZAWI, IRAQI MINISTER FOR ECONOMIC AFFAIRS, SIGNED THE JAPAN/IRAQ ECONOMIC AND TECHNICAL AGREEMENT. THE AGREEMENT PROVIDES THAT:

(A) THE TWO GOVERNMENTS WILL STRENGTHEN THEIR ECONOMIC AND TECHNICAL CO-OPERATION. JAPAN WILL DESPATCH TECHNICAL EXPERTS AND SURVEY GROUPS TO IRAQ, WHILE PAYING FOR IRAQI TRAINEES TO STUDY IN JAPAN.

(B) THE JAPANESE GOVERNMENT WILL CO-OPERATE WITH THE IRAQI GOVERNMENT TO FACILITATE THE OFFERING OF A YEN LOAN AND OTHER CREDITS FOR THE IMPLEMENTATION OF IRAQ'S ECONOMIC DEVELOPMENT PLANS. JAPAN WILL EXTEND THROUGH THE EXPORT-IMPORT BANK CREDIT OF YEN 74,500 MILLION (ABOUT DOLLARS 250 MILLION). THE LOAN WILL BE FOR 18 YEARS WITH A GRACE PERIOD OF 7 YEARS AT A RATE OF INTEREST OF 4 PER CENT. JAPAN WILL ALSO FACILITATE THE PROVISION ON A COMMERCIAL BASIS BY JAPANESE PRIVATE ENTERPRISE OF CREDIT OF YEN 223,500 MILLION (ABOUT DOLLARS 750 MILLION). THE REPAYMENT PERIOD WILL BE 8 YEARS WITH A GRACE PERIOD OF TWO YEARS AT A RATE OF INTEREST OF 6.3 PER CENT. THE EXTENSION OF THESE YEN LOANS AND CREDITS WILL BE SUBJECT TO FURTHER ARRANGEMENTS BETWEEN THE TWO GOVERNMENTS TO BE MADE WITHIN FOUR YEARS FROM THE DATE OF SIGNATORY.

(C) THE IRAQI GOVERNMENT WILL FACILITATE THE CONCLUSION OF LONG-TERM CONTRACTS FOR THE STABLE SUPPLY OF CRUDE OIL AND PRODUCTS TO JAPAN.

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/2. THE SIGNING

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2. THE SIGNING OF THIS AGREEMENT MARKS A STEP FORWARD IN THE IMPLEMENTATION OF THE PROMISE OF ECONOMIC ASSISTANCE MADE BY MR NAKASONE, MINISTER FOR INTERNATIONAL TRADE AND INDUSTRY, WHEN HE VISITED IRAQ AT THE BEGINNING OF THIS YEAR. MITI HAVE TOLD US THAT THE PROJECTS TO BE COVERED BY THE LOAN AGREEMENT HAVE NOT YET BEEN FINALISED. IN THE COURSE OF THE NEGOTIATIONS THERE HAS BEEN A BASIC DIFFERENCE OF APPROACH BETWEEN THE IRAQ AND JAPANESE SIDES. WHILE THE IRAQ'S APPEARED TO IMAGINE THAT ONCE THE LOAD AGREEMENT HAD BEEN SIGNED, THE JAPANESE GOVERNMENT COULD DIRECT PRIVATE FIRMS TO PARTICIPATE IN THE VARIOUS PROPOSED PROJECTS IN IRAQ, THE JAPANESE HAD MADE IT CLEAR THAT SPECIFIC CONTRACTS WOULD HAVE TO BE NEGOTIATED WITH THE JAPANESE FIRMS INVOLVED. THE JAPANESE ENVISAGE THE LOANS BEING USED FOR THE PROVISION OF AN OIL REFINERY, PETRO-CHEMICAL, FERTILISER AND CEMENT PLANTS, AND ALUMINIUM SMELTER AND LPG LIQUEFACTION PLANT. DETAILED CONTRACTS WILL NOT HOWEVER BE SIGNED UNTIL LATER IN THE YEAR AT THE EARLIEST.

3. THE MINISTRY OF FOREIGN AFFAIRS HAVE EMPHASISED THAT THE AGREEMENT DOES NOT DIRECTLY LINK JAPANESE ASSISTANCE TO THE SUPPLY OF SPECIFIC QUANTITIES OF OIL. FURTHERMORE, AGREEMENT HAS YET TO BE REACH

ED ON THE PRICE TO BE PAID BY JAPAN. NEVERTHELESS, WE HAVE BEEN TOLD THAT IT IS UNDERSTOOD ON BOTH SIDES THAT OVER A TEN YEAR PERIOD JAPAN WILL BE PROVIDED WITH 90 MILLION TONS OF CRUDE OIL AND A TOTAL OF 70 MILLION TONS OF OIL PRODUCT AND LPG. IN THE FIRST INSTANCE, THE PRICE TO BE PAID DURING THE FIRST YEAR WILL BE NEGOTIATED. ALREADY THERE HAVE BEEN SEVERAL ROUNDS OF DISCUSSIONS. IN JULY THESE WERE ADJOURNED WHEN NO COMPROMISE WAS REACHED BETWEEN IRAQ' DEMAND FOR 93 PER CENT OF POSTING, (I.E. DOLLARS 10.86 PER BARREL) AND JAPAN'S OFFER OF DOLLARS 10.50 PER BARREL WITH 90 DAY USANCE OR DOLLARS 10.30 IN CASH. A FURTHER NEGOTIATING TEAM WILL BE GOING TO IRAQ LATER THIS MONTH TO CONTINUE THE DISCUSSIONS.

4. THE MINISTRY OF FOREIGN AFFAIRS, WHO HAVE MADE NO SECRET OF THEIR DISTASTE FOR THIS AGREEMENT WHICH RESULTED FROM A PERSONAL INITIATIVE BY MR NAKASONE, HAVE PLAYED DOWN ITS POLITICAL IMPORTANCE AND ITS IMPACT ON JAPAN'S RELATIONS WITH OTHER OIL PRODUCING NATIONS. HM EMBASSY IN TEHRAN MAY WISH TO COMMENT

/ON THE REACTIONS

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ON THE REACTIONS OF THE IRANIAN GOVERNMENT BUT THE IRANIAN AMBASSADOR HERE HAS MADE A POINT OF STRESSING TO US HIS DISAPPROVAL OF THE SIGNING OF THE AGREEMENT. THE JAPANESE, HOWEVER, STRESS THAT IT IS PURELY AN ECONOMIC AGREEMENT. MITI HAVE POINTED OUT THAT FRANCE HAS SUCCESSFULLY MANAGED TO DEVELOP HER ECONOMIC RELATIONS WITH BOTH IRAN AND IRAQ AND HENCE THERE OUGHT TO BE NO BARRIER TO JAPAN DOING LIKEWISE. THEY APPEAR INTENT UPON PRESSING AHEAD WITH THE NEGOTIATIONS FOR A SIMILAR LOAN AGREEMENT WITH IRAN AS PROMISED BY MR NAKASONE, DESPITE THE UNFAVOURABLE CONDITIONS SO FAR IMPOSED BY THE IRANIANS. JAPANESE INDUSTRY HOWEVER SEEMS LESS ENTHUSIASTIC. IDEMITSU KOSAN WHICH HAS BEEN NEGOTIATING WITH THE IRAQIS ON BEHALF OF THE JAPANESE OIL INDUSTRY, ON 22 AUGUST ANNOUNCED THAT IT INTENDED TO PULL OUT OF THE IRANIAN PROJECT.

FCO PSE PASS TO SAVING ADDRESSEES.

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30 August 1974

J F Slater Esq
H M Treasury
Parliament St
SW1

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Asia story?

Mr. Williams *11/9.*

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THE IRAQ/JAPAN AND IRAQ/ITALY ECONOMIC COOPERATION AGREEMENTS

You will no doubt have seen Tokyo telegram No 737 of 23 August recording the terms of the recent Japanese/Iraq agreement. The terms the Japanese have conceded go much further than the terms conceded by the Italians and taken together the two agreements seem to us to amount to a major breach in the consensus which seemed to be emerging from ECG. There is also an unwelcome bilateral oil deal element in the Japanese agreement. I assume that the appropriate committees will be considering the implications in due course.

Marked to In the meanwhile I am circulating a paper to MESG about the implications for our own proposed agreement with Iraq, which are not propitious.

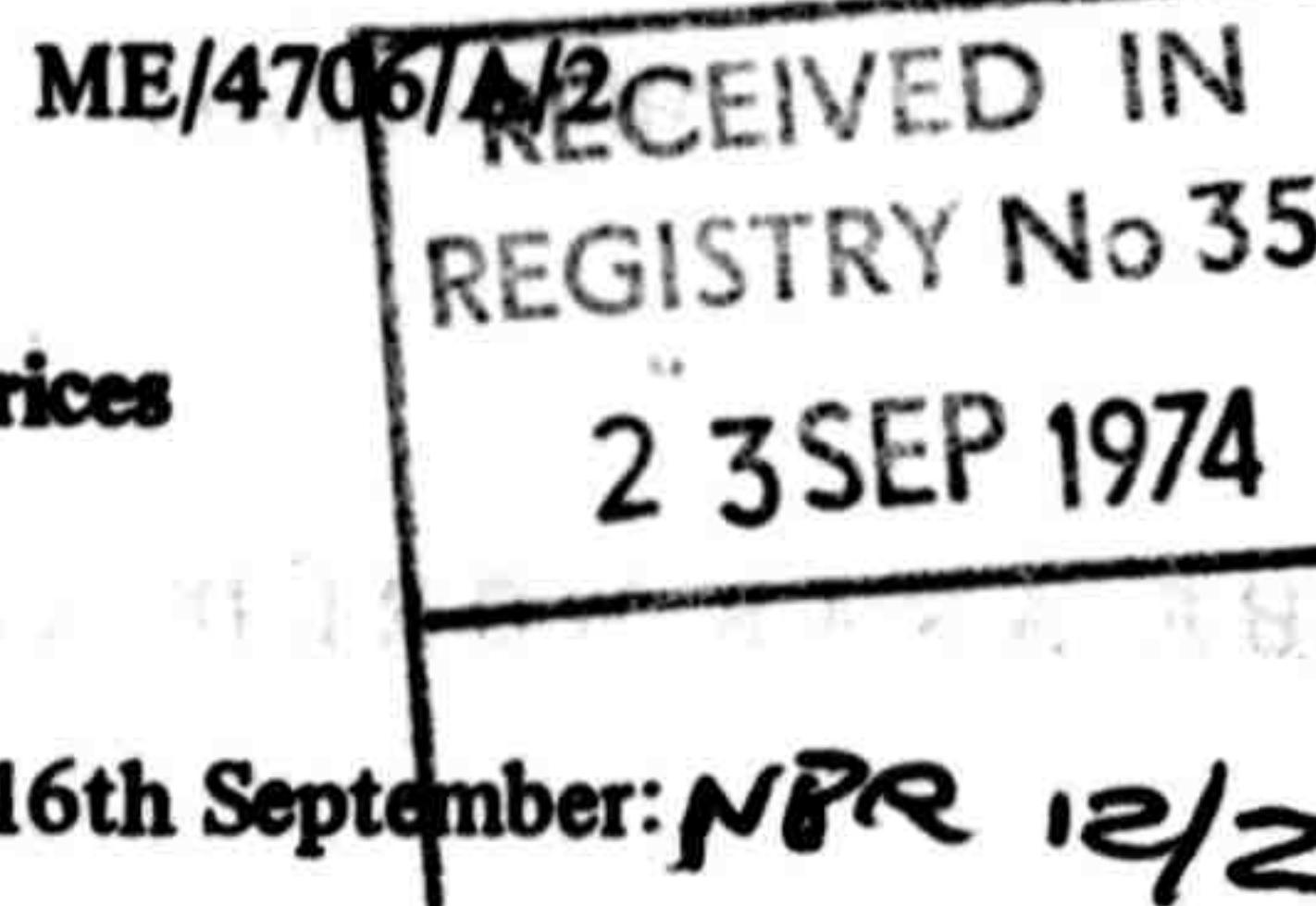
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Leaving

P M S CORLEY

cc Mr Mason ECGD
Mr Lindley D/Energy
Mr Egerton FCO
Mr Wright FCO
Mr Cambridge FCO
Mr Rednall ODM
Mr Chapman ECGD

SWB



18 Sept 74

(12)

Enter Iraq Oil pce.
Mr. *[Signature]*
23/9/74
23/9/74

Iraqi Minister's Statement on Oil Prices

INA 0908 gmt 16 Sep 74

Text of dispatch datelined Beirut, 16th September: *NPR 12/2*

The Iraqi Minister for Oil and Minerals, Dr. Sa'dun Hammadi, has issued a statement defining the Iraqi position on the question of oil prices and the 41st extraordinary conference of OPEC held in Vienna between 12th and 13th September 1974.

Hammadi said that the crude oil price issue which OPEC was facing today was not only connected with maintaining the revenues of the member states, but to a greater extent, with the organization's basic objective of ensuring the exporting countries' control over their own oil resources by strengthening the position of the members states' national oil companies on the world oil market. The basic problem was the existence of dual oil prices, which worked in favour of the major companies on the one hand and the existence of surplus oil production on the other.

Hammadi added that more than four-fifths of the total oil produced by the OPEC states, which came under international trade, was obtained under the terms of the amended concessions in accordance with participation arrangements. Despite the fact that the major companies obtained the participation oil - amounting to 60 per cent - at a price equivalent to the market price, the average price they paid for the total quantities of oil they obtained was considerably below the market price, while the free oil, which the national oil companies marketed independently of the major companies, was only a small fraction of the oil which came under international trade and was sold at the market price.

Hammadi said that this gap between the price of the free oil and the average price the major companies paid to the oil producing countries gave the companies a profit which enabled them to resell the oil at a price far below the one demanded by the national oil companies. Therefore, the companies could reduce the real prices and exert pressure on the price structure by dumping large quantities of oil at a price below the market price.

This gap, Hammadi continued, placed the major companies in a strong competitive position compared to the national oil companies. It was therefore essential to narrow this gap by increasing the cost of the oil which the major companies obtained. The national oil companies would then be able to play their leading role in the market. This would require increasing the taxes which the major companies paid on the oil they obtained under the concession terms to the point where these taxes would drain the companies' enormous profits. The national oil companies could then be in a strong competitive position.

The statement added that the negative effect increased with the existence of the gap in prices when there was a surplus in the oil market, which resulted in a decrease in the share of oil of the national companies in favour of the oil [share] of the monopolist companies. The national oil companies faced one of two courses; either to reduce prices or to lose their markets.

The statement explained that the OPEC decision taken on 13th September on prices constituted an important step towards narrowing the gap between the prices, but it was an incomplete step which had to be followed by more radical steps. This was so because the decision - which would for instance, reflect on Basra oil by increasing its revenues to 16.67 per cent and the average tax to 65.75 per cent - would not bridge this gap. This situation would leave the monopolist companies in a strong competitive position, although to a lesser extent than in the past. Furthermore, the other OPEC decision on the voluntary reduction of production also represented a step towards achieving a balance in the oil market - which was inevitable for the prosperity of the national oil companies. However, this decision alone was not adequate for reaching the desired goal.

A. THE ARAB WORLD AND ISRAEL**Iraqi Report of "Iranian Aggression"****Baghdad home service 1900 gmt 16 Sep 74****Text of report:**

Our border forces have repelled a new Iranian aggression against our borders and forced the aggressive forces to retreat and return to Iranian territory. A communique issued by the Armed Forces General Staff headquarters this evening strongly warned the aggressive Iranian authorities against the consequences of continuing their aggressive acts against the sovereignty of Iraq and that they will have to face all the subsequent results of such aggressive acts. The text of the communique is as follows:

Commuque issued by the Armed Forces General Staff headquarters:

- (1) At 2330 last night, the Iranian forces committed another aggression against our borders. They opened mortar fire [words indistinct] Qaqa [?and] Abi-Ubaydah. The firing continued for 20 minutes, forcing our border forces to return the fire.
- (2) At 0230 today the Iranian forces resumed their aggression when armed Iranian forces advanced towards our border post [words indistinct] which forced our border forces to engage them and force them to flee and return to Iranian territory.
- (3) At 0245 [words indistinct] mortar fire and machine guns against the Iraqi border post. The firing continued until 0900 today, Monday, 16th September.
- (4) As a result of this treacherous Iranian aggression four soldiers were martyred and four others were wounded while performing their sacred duty defending the homeland. The losses of the other side are not known. We warn the Iranian authorities against the consequences of continuing such aggressive acts against our sovereignty. The Iranian authorities must realize that they bear all the subsequent results of such aggressive acts, which are contrary to all principles of neighbourliness, international relations and UN resolution No.348 which calls for an end to all such acts. They must also realize that we will [words indistinct] every treacherous hand that commits aggression against our sovereignty and our patriotic land.

Iranian Report of Kurdish Occupation of Kirkuk**Tehran home service 1630 gmt 16 Sep 74****Excerpt from press review:**

... Recently the battles in northern Iraq have been of secondary importance to the press. However, the occupation of the town of Kirkuk by Kurdish forces is of such significance that it has superseded all other news. Using the boldest headlines 'Keyhan' wrote: Kurdish forces have arrived in Kirkuk. 'Ettela'at' and 'Keyhan' have printed maps of Iraq on their front pages showing the important position of Kirkuk, the largest oil town in Iraq, which, for quite some time now, has been the target of the Kurdish fighters in northern Iraq. [Now] the Iraqi Kurdish forces with their continual victories and contrary to the expectations of the Ba'thists have penetrated Kirkuk. The papers have written: In order to smash Kirkuk's defensive wall the peshmergas killed 300 Ba'thists in a single night attack. The Iraqi Ba'thist Government has been unwilling to recognize Kirkuk as a Kurdish area, whereas this town is one of the most important Kurdish-inhabited centres; this very fact has resulted in new battles...

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TO PRIORITY FCO TEL NO 336 OF 21 SEPTEMBER 1974.

YOUR TEL ^{NR} NO 263 TO KUWAIT : OPEC MINISTERIAL MEETING.

1. DURING THE LAST YEAR, FAR FROM CUTTING BACK OIL PRODUCTION, IRAQ HAS, ON SEVERAL OCCASIONS, ANNOUNCED INCREASED PRODUCTION TARGETS AND HAS SOUGHT HIGHER PRICES WHICH HAVE BEEN UNOBTAINABLE. ALL THIS HAS RESULTED IN PRODUCTION SURPLUSES.

2. IT IS OUR UNDERSTANDING THAT THEY ARE MOVING TOWARDS ACCEPTANCE OF CUT BACK. PROBABLY THIS DOES NOT YET AMOUNT TO A DECISION AND THEREFORE WOULD NOT HAVE BEEN ANNOUNCED IN OPEC. HOWEVER, THE MINISTER FOR OIL AND MINERALS HINTED AT A CHANGE OF POLICY IN A STATEMENT IN BEIRUT AFTER THE VIENNA CONFERENCE. HE SAID THAT THE ROOT OF THE PROBLEM WAS "THE PRESENCE OF DUALITY IN OIL PRICES AND THE EXISTENCE OF SURPLUSES IN OIL PRODUCTION." "...THE BASIC STEP IS THE PURSUIT OF A FULL-FLEDGED PROGRAMME FOR PLANNING PRODUCTION IN THE LIGHT OF MARKET REQUIREMENTS ON THE ONE HAND AND, ON THE OTHER, CLOSING THE GAP BETWEEN MARKET PRICES AND THE OIL COST PAID BY THE MAJOR COMPANIES TO THE OIL EXPORTING COUNTRIES". REFERRING TO THE ANNOUNCED VOLUNTARY CUT BACK BY A NUMBER OF COUNTRIES, HE SAID, ALTHOUGH IT WAS A STEP FORWARD, IT LEFT "MUCH TO BE DESIRED".

3. FULL TEXT OF STATEMENT BY BAG.

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Telex: 232-2270

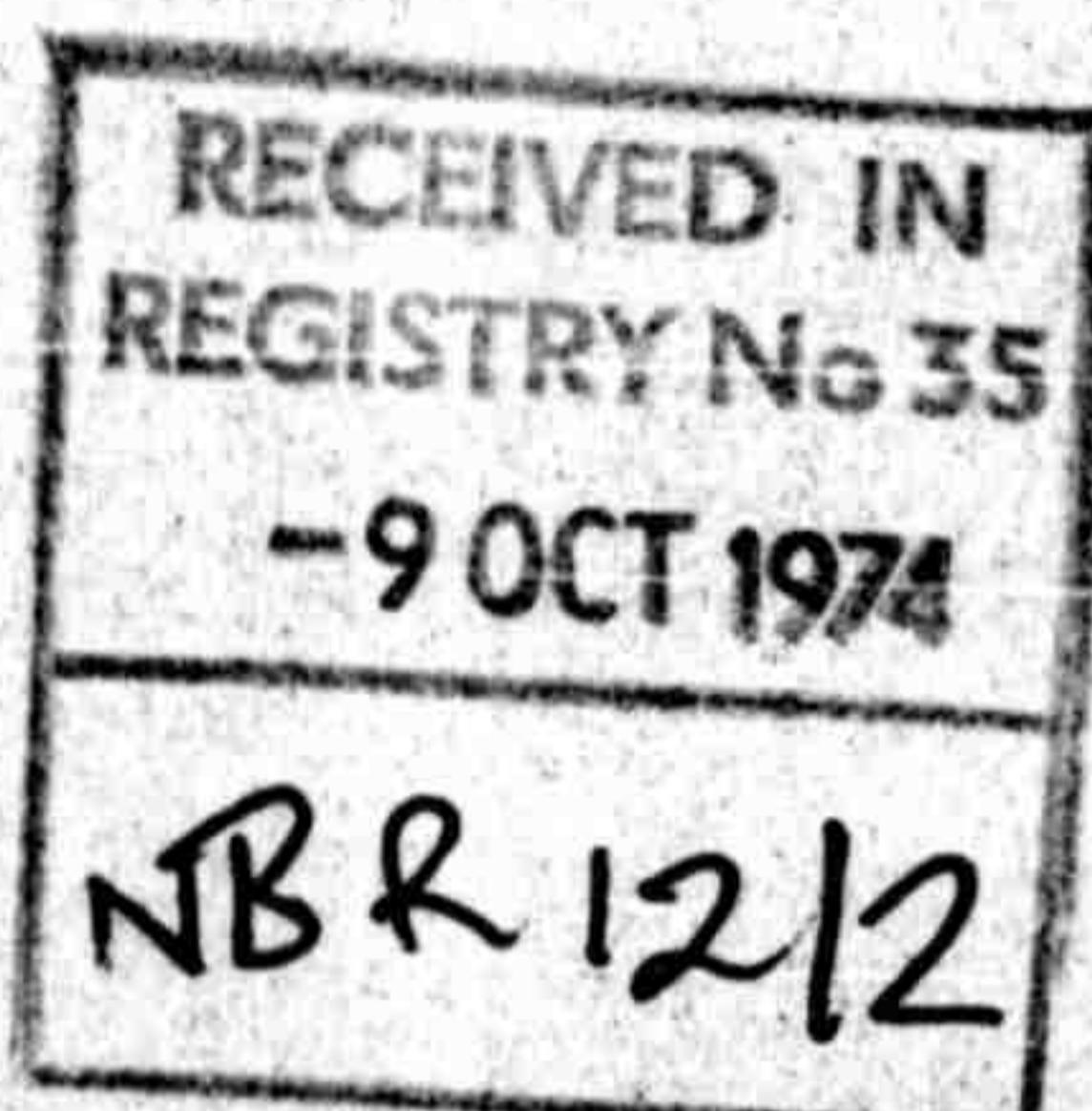
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4 October 1974

*M. Young 10/10
MS 10/10*

G P Lockton Esq
Energy Department
FCO
London SW1



Dear Lockton,

JAPAN-IRAQ ECONOMIC CO-OPERATION

1. *(D)* In our Tel No. 737 of 23 August to the FCO and repeated to Tehran and Baghdad, we reported on the signing of the Japan-Iraq economic and technical agreement.

2. The Japanese Government have now formally reached a measure of agreement in their negotiations with Iraq on the terms of a long-term contract for the import of Iraqi crude oil. The Japanese conceded to Iraq on price, the main stumbling block. Japan will import 90 million tons of crude oil and another 70 million tons of petroleum products from Iraq over the next ten years, starting this year.

3. Details of the agreement for the oil which will be imported during this year were announced in the press here on 2 October, and have been confirmed to us by the Ministry of International Trade and Industry; they are:

a. A price of \$10.86 per barrel (93% of posted price)
- this was the original Iraqi demand and the Japanese have not been able to beat it down;

b. Iraq will supply at least 500,000 tons of crude oil this year and shipments will begin from the last part of October - we understand from the Japanese that the Iraqis pressed them to take more than this but the Japanese had refused saying they were fully stocked and did not have the additional storage capacity; it is unlikely that they will take more than the agreed minimum.

/4. The



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- 2 -

4. The two sides will negotiate further to determine the price and quantity of oil to be imported next year and thereafter.

✓
Kuss ever

Charles Humfrey

C T W Humfrey
Second Secretary (Economic)

cc:

P K Williams Esq MED

D K Haskell Esq FED

Chanceries: Baghdad
Tehran

RR ECGD

RR DAMASCUS

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TO ROUTINE ECGD TEL NO EXCED 046 OF 21 OCTOBER 1974,
INFO ROUTINE DAMASCUS.

YOUR TEL NO EXCED 019 TO DAMASCUS : EXPANSION OF IRAQ-SYRIA
PIPELINE.

1. THE UNDER-SECRETARY IN THE MINISTRY OF OIL AND
MINERALS, WHO CHECKED WITH THE DIRECTOR GENERAL OF
TECHNICAL AFFAIRS, KNEW NOTHING OF ANY SUCH PROPOSAL
WHEN I ASKED HIM THIS MORNING. THE ONLY SCHEME FOR
EXPANSION IN SYRIA OF WHICH THE MINISTRY IS AWARE IS THE
ONE REFERRED TO IN PARA. 2 OF YOUR TELEGRAM UNDER REFERENCE,
WHICH IS NEARLY COMPLETE. THERE IS ALSO AN AGREEMENT WITH
TURKEY FOR THE CONSTRUCTION OF A PIPELINE TO THE
MEDITERRANEAN THROUGH TURKEY : THIS IS GOING FORWARD AND
IS AT PRESENT SUBJECT TO CONSULTANCY STUDIES. FINANCING
IS TO BE PRO RATA BY IRAQ AND TURKEY THOUGH THE DETAILS
HAVE NOT YET BEEN WORKED OUT AND COULD PRESENT PROBLEMS IN
THAT THE POORER PARTNER FACES THE BIGGER BILL.

2. DR. CHALABI THOUGHT THAT THE SYRIANS MIGHT BE
EXPANDING THE FACILITIES FOR HANDLING THEIR OWN OIL
PRODUCTION THOUGH HE DOUBTED IF THAT COULD COST AS MUCH
AS (US DOLLARS) 200 MILLION : TO DOUBLE THE CAPACITY
OF THE PIPELINE FROM THE SYRIAN FIELD WOULD NOT IN
HIS OPINION BE JUSTIFIED BY THE VOLUME OF SYRIAN PRODUCTION.

GRAHAM

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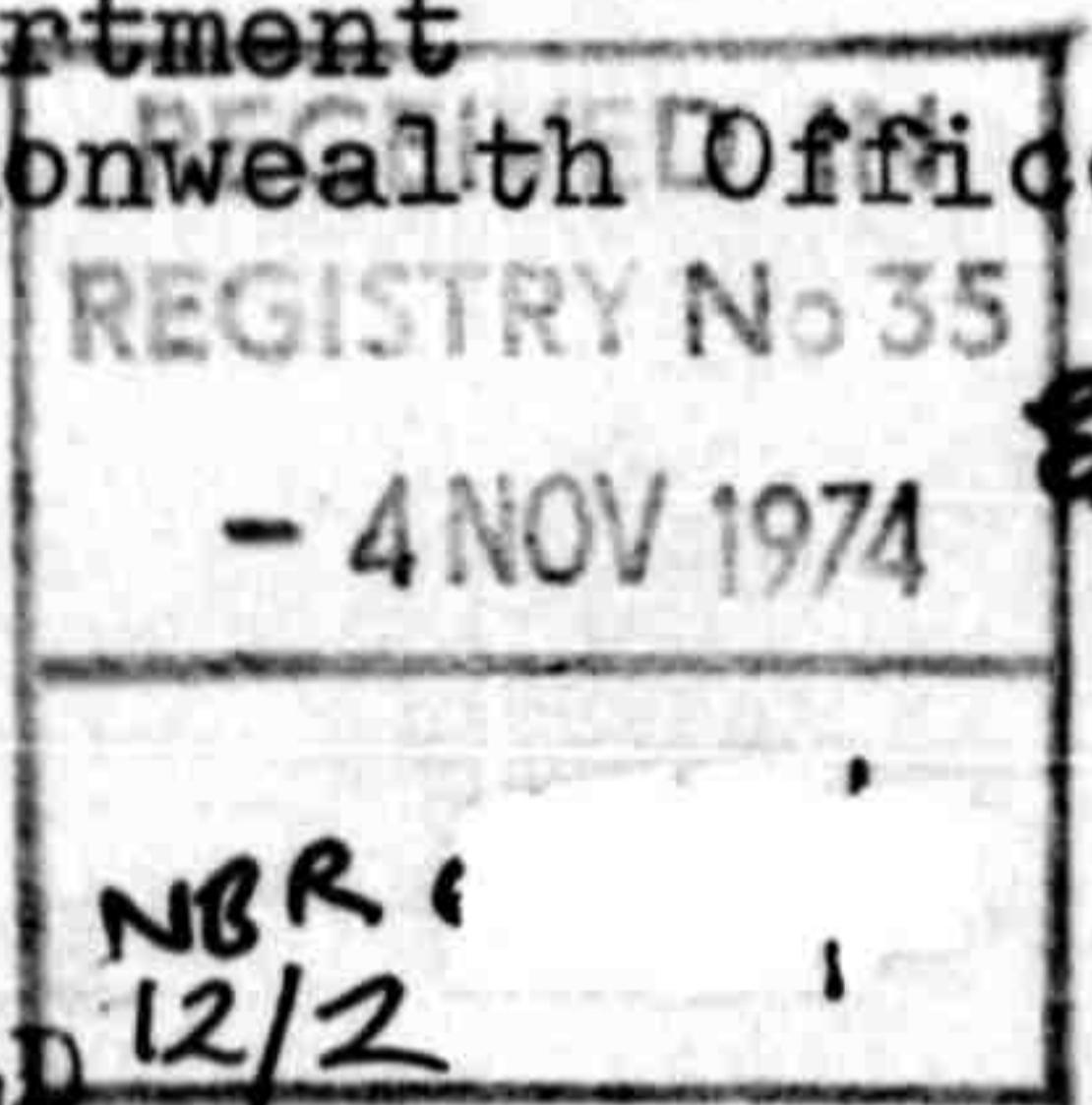
BRITISH EMBASSY
BAGHDAD

29 October 1974

G S Burton Esq
Middle East Department
Foreign and Commonwealth Office
LONDON

See Johnson.

RUMAILA OIL FIELD



1. It has been reported that a subsidiary protocol has been signed by a Soviet delegation and the Iraqi Ministry of Oil and Minerals on developing the third stage of Rumaila. Apparently the contract provides for the completion before August 1975 of the ID 11.5 million project with an annual capacity of 40 - 42 million tons of crude oil.

*Yours ever,
K D Temple*

cc: Chancery
MOSCOW

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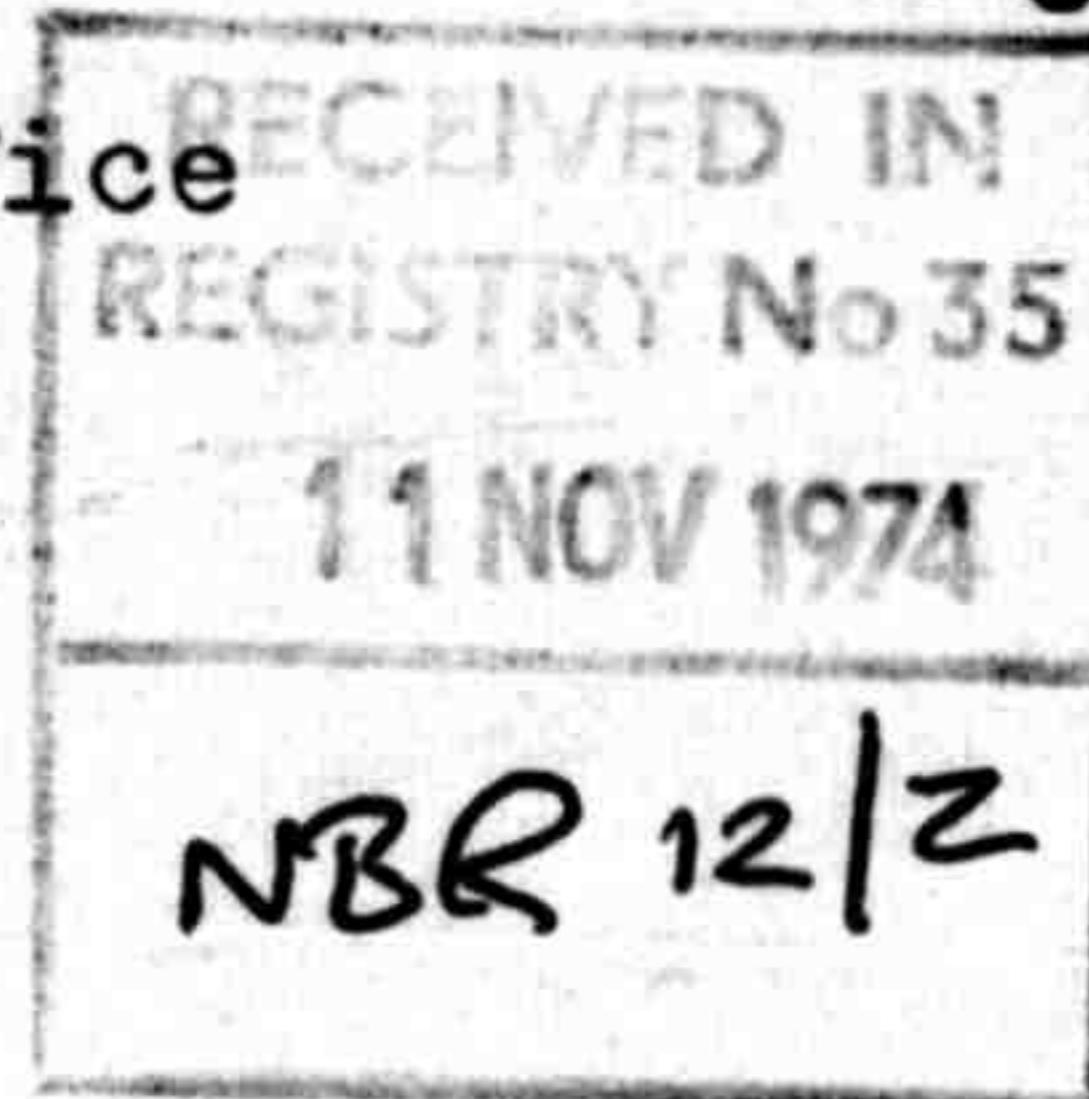


BRITISH EMBASSY

BAGHDAD

7 November 1974

G S Burton Esq
Middle East Department
Foreign and Commonwealth Office
LONDON



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Copy: Mr. ~~Bannerman~~ *VOIS* *NY* *Research*

FRD
Mr. Williams *OM* *NY*
Mr. Young *TS* *NY*
NY *28/11*

See further.

SECOND INTERNATIONAL OIL SEMINAR

1. From 1-4 November, the Second International Oil Seminar met in Baghdad, (under the auspices of the World Peace Council, the Afro/Asian People's Solidarity Organisation, and the National Council for Peace and Solidarity in Iraq). The First Seminar, as you may recall, was held in November 1972 under the slogan "Oil as a Weapon". (Although it is easy to assume that there was a link between this slogan and the use of the oil "weapon" during the end of 1973, oil sources here say that the "weapon" referred to in the 1972 title was in fact nationalisation.)

2. The 1972 Seminar was intended to boost the sagging position of Iraqi oil after the nationalisation of IPC and the embargo of Rumaila oil, and, in terms of the Iraqi oil industry, was fairly significant. The long and wordy resolutions and statements emanating from the Second Seminar, (which I enclose), however, do not say much that is new. The main points seem to be:-

- (a) The oil producing countries should not build up their monetary balances and, in particular, should not invest them in "capitalist" banks or even in "capitalist" real estate.
- (b) Surplus funds should rather be used for financing development in developing countries or in their own countries on a tripartite basis in co-operation with the "socialist" countries.
- (c) Investment by the West in the oil producing countries should be resisted. The countries should either buy or acquire their royalty agreements, technical know-how etc. The recycling of funds by merchant banks, a form of such Western investment, is rejected as neo-colonialism.

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- (d) Commodity agreements should be negotiated to establish "standard prices for all major commodities, agricultural and industrial" under the auspices of the UN, which should guarantee "the transfer of technology to the developing countries".
- (e) The banding together of oil consuming countries is disadvantageous to the oil producers and must be opposed.
- (f) Oil should be marketed directly by the oil exporting countries to the consuming countries with the elimination of the major oil companies as intermediaries.

3. The general tone of the Seminar, not surprisingly considering the sponsors, was very much in support of the socialist countries, but it is interesting that the main target for criticism was the multi-national companies, not capitalism as such. For example, among the resolutions there is a call for the development of co-operation in mutually advantageous spheres between capitalist and socialist countries.

4. We do not see the Seminar as an important statement of Iraqi oil policy. Most of the points have been made before; greater significance should be attached to the speech by Saadoun Hammadi the Minister for Oil, in Beirut on his return from the Vienna OPEC meeting, a copy of which I sent to you at an earlier date.

Yours ever,

K D Temple

K D Temple

cc: Energy Department
FCO



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BRITISH EMBASSY

BAGHDAD

May 1974

1 December 1974

to

Mr. J. S. [unclear]

checked.

Mr. Lockhart

1 who like to send

a cautious ack. I wasn't
aware Petrobras were being
so chivalrous.

Dear Stephen,

1. The Brazilian Ambassador here is a very sad man. He has no staff and to add to his woes, his luggage spewed its contents all over the Syrian desert when it was brought here from Beirut. But he came here to look after Brazil's oil interests: they obtain a large proportion of their imported oil supplies from Iraq and with only a small domestic production and rapidly growing consumption, they are going to be even more dependent on Iraq and other Arab suppliers in the future. He told me the other day, in confidence, that with a view to ensuring future supplies, the Brazilian company Petrobras has entered into an agreement with the Iraq National Oil Company whereby Petrobras explore and drill for oil in the south of Iraq, at their own expense, the subsequent production being the property of the INOC. All this altruism - he assured me there was no fee for the drilling - is in the hope (and I gather that it is little more) that Petrobras will be given preference in purchasing their needs from the oil that they discover. There appears to be no firm undertaking as to price except that it would be at discount over posted price.

2. You are probably aware of this: if so, forgive me for bothering you.

Yours etc
J. A. H. Graham

J. A. H. Graham

Copy to:
Chancery
Rio de Janeiro

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Foreign and Commonwealth Office
London SW1A 2AL

Telephone 01- 930 2323

HE Mr J A N Graham CMG
BAGHDAD



Your reference

Our reference

Date 10 December 1974

Dear Johnny,

David
Could you get a copy of 'X' for
me please
Yours
11/12 letter obtained
11/12 pa

PETROBRAS

1. Many thanks for your letter (not to all) of 1 December about the woes of Petrobras in Iraq, not to mention the Brazilian Ambassador.

2. We were not aware that Petrobras were being so altruistic. According to a cutting in our files from Petroleum Press Service of September 1972, Petrobras is entitled to buy a percentage of any crude oil discovered in its concession in Iraq at a "guaranteed sales price". The amount is 21% up to 5 million tons production, dropping to 16% at a production rate of 25 to 30 million tons. Petrobras also undertook to market up to 300,000 barrels a day of the production at 0.5 cents a barrel commission.

3. I had not heard that the terms had been changed. If Petrobras are now living on hope, they are taking a serious gamble. The Brazilian Government has certainly been worrying about its oil supplies. Last year Petrobras began to import crude from BP's nationalised Sarir field in Libya. When BP threatened legal action, the Brazilians hinted that they would be quite happy to stop these imports, if BP would provide alternative supplies. Unfortunately the situation in the Middle East was such that BP could not oblige them.

4. You probably know from your Brazilian colleague that Petrobras has been active in several Middle East countries. I believe they are about to drill in Egypt, where they have a commitment to spend over \$14 million on exploration in the Nile Valley. (They have a 50:50 joint venture there with the Egyptian General Petroleum Corporation). Possibly the results of recent offshore drilling reported in Rio Savingram No 5 of 28 November (copy enclosed) will ease the Brazilian Government's worries. The reports suggest that Brazilian production may expand by between 40% and 50% next year

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to cover one-third of consumption, and that by 1980 Brazil may be able to produce 75% of its requirements. I should be interested to hear if this news causes the Brazilians, in due course, to be more tough in their dealings with the Iraqis and/or Libyans.

Yours ever,

Stephen.

S L Egerton
Energy Department

cc Chancery, BRASILIA
Consulate-General, RIO DE JANEIRO
Chancery, TRIPOLI

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MED
CIP Division, D/Energy

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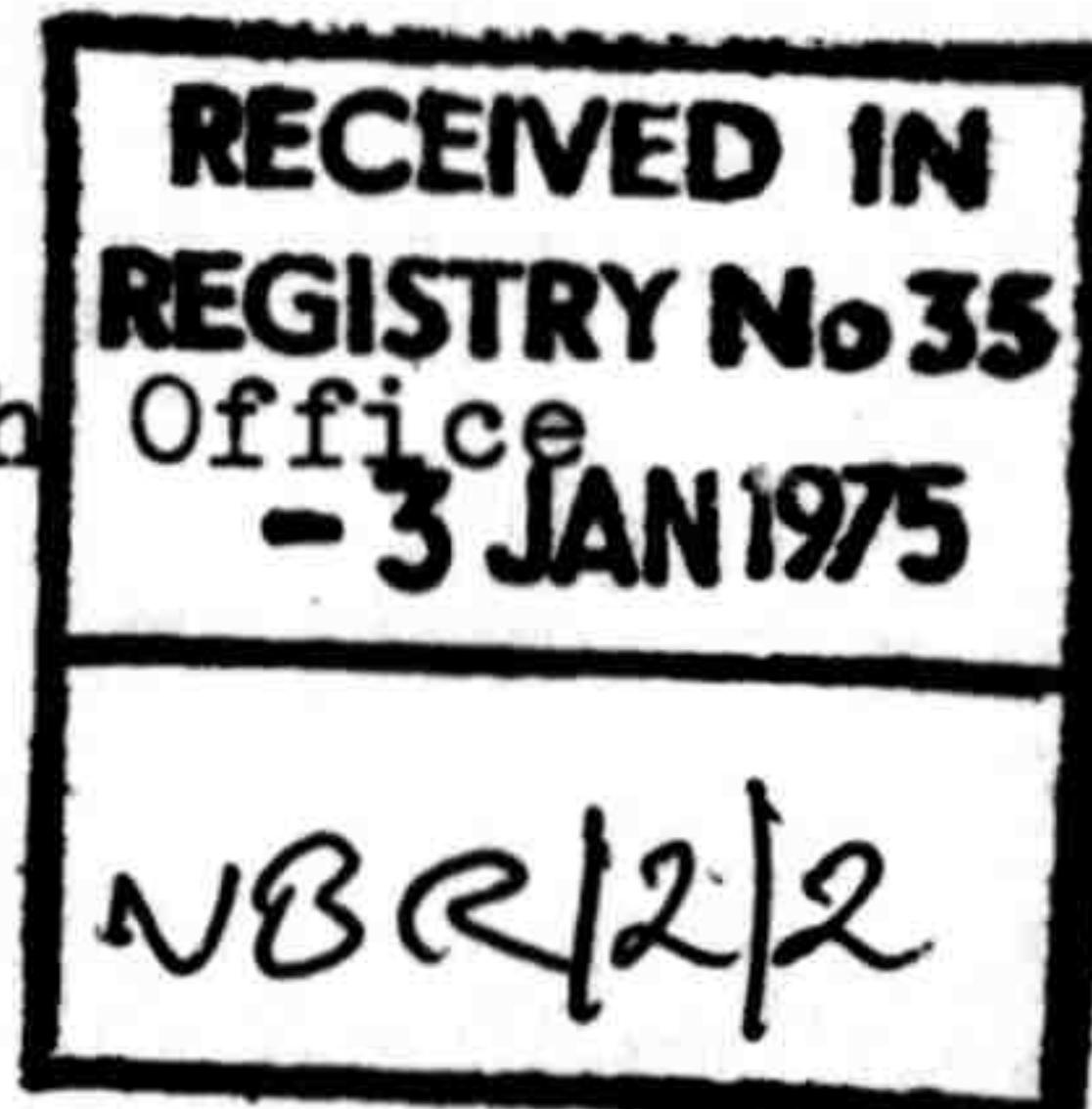
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G S Burton Esq
Middle East Department
Foreign and Commonwealth Office
LONDON



See you.

IRAQI INVESTMENT POLICY

1. Please refer to para.2 of my letter of 7 November about the Second International Oil Seminar, which summarised the resolutions adopted by the Seminar on investment of oil revenues.

2. Since the Seminar, Hikmat al Azzawi, the Minister of Economy, made a statement in Cairo on 4 December in which he re-inforced the policy line adopted at the Conference. I enclose the Iraqi News Agency report on the statement.

BRITISH EMBASSY

BAGHDAD

23 December 1974

cc: Economists (in Smith)

FRD (in Hall)
NENAS 3/11 (in Wogan)

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Yours ever,

K D Temple

K D Temple

cc: Financial Relations Department
FCO

Iraqi Investment Policy With Regard To Oil Revenues; Second International Oil Seminar; Japan/Iraq Economic Co-Operation; Oil Policy And Supplies. Oil In Iraq. 17 Jan. 1974. MS Middle East Online: Iraq, 1914-1974: Selected files from series AIR, CAB, CO, FCO, FO, PREM, T, WO, The National Archives, Kew, UK FCO 8/2324. The National Archives (Kew, United Kingdom). Archives Unbound, link.gale.com/apps/doc/SC5107473290/GDSC?u=webdemo&sid=bookmark-GDSC&xid=f0a38b61&pg=1. Accessed 11 Apr. 2022.